

DDO NOTICE

Transition From the Project System to
Management by Objectives

This notice sets forth the basic elements of a new planning system for the Operations Directorate. Implementation of this new system will take place upon the issuance of new DDO approved programs for each component which should occur about 1 February 1974. Existing DO instructions which are inconsistent with this new system will become inoperative at the time new programs are approved. New instructions will be issued as soon thereafter as is feasible.

The requirement to submit projects for DDO approval is also abolished upon the issuance of approved component programs, subject to certain exceptions described later in this notice. Project approvals already made for FY 1974 will remain in effect for financial authorization and other accounting purposes until superseded in accordance with the provisions of this new planning system.

POLICIES

The principal aims of the new system will be:

- (1) To delegate greater decision-making authority over operations to Division Chiefs;

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(2) To integrate project and program procedures into a single review and approval process;

(3) To reduce the number and variety of formal reports and memoranda required for the DDO's management purposes;

(4) To tie performance evaluation and related management decisions as directly as possible to specific DCI, DDO and other agreed objectives;

(5) To give increased attention to the personnel and management support portion of Directorate costs;

(6) To provide for a meaningful DDO overview of objectives, accomplishments, efforts and resources.

The system involves DDO review and evaluation of performance of each component twice each year. Based on these reviews, the DDO will establish approved annual programs for each component. Each program will consist of an approved list of objectives and a related set of dollar and manpower controls. The DDO will be delegating to the Component Chief the right to authorize and proceed

with operational activity and to use resources as necessary within the specified resource controls to meet the approved objectives.

There will be some limitations on the authority delegated to Component Chiefs. Components are not authorized to pursue objectives which have not been approved by the DDO. Component Chiefs are not authorized to exceed DDO resource controls except where the procedures described herein permit such action. The authority delegated to Component Chiefs to approve operations and commit resources is also circumscribed and limited by existing DDO and Agency instructions requiring other approvals or concurrences such as those concerning 40 Committee approvals, use of agents, proprietaries, controlled subsidies and operational investments and those matters of exceptional sensitivity.

PROCEDURES

The following is a general description of the procedures to be used in implementing the new system.

At the beginning of any fiscal year the DDO will review performance of each component for the previous year, make any necessary changes in the coming year's

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objectives for that component and his allocation of resources to meet them. By approving these new objectives he will authorize the Component Chief to proceed with the operational activity necessary to meet them. After receiving this approval, the Component Chief is authorized to approve operational activities and expenditures so long as they remain within the approved limits of his program for that particular objective. He may reprogram resources between objectives only with the approval of the DDO. Such approval will be sought in simple memorandum form transmitted to the DDO through the Plans Staff.

At the halfway point in the fiscal year the DDO will hold an interim review to check progress of the first six months against objectives and effect any reprogramming necessary. The DDO will be looking back to check his judgments of six months earlier and make any corrections he feels necessary in the allocation of objectives and resources for the remainder of the fiscal year. This review will also be used to adjust the program request for the following year to the President's decisions. The major review, however, is at the end of each fiscal

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year. This review will be combined with the program process so that it suffices for the purpose of both an Annual Report, a program exercise for the coming year, and formulation of the program for the year beyond the coming year.

Field reporting required will be keyed to objectives assigned to stations. The first report will cover efforts and results during the first half of the fiscal year and will be used by the Headquarters components to prepare their semi-annual statement of progress for the DDO's semi-annual review. The second report will be the stations' summary of progress made during the entire year. In addition to reviewing the past, this report will contain station projections for the coming year, including any recommended changes in objectives and estimates of financial and manpower resources necessary to pursue objectives during the next fiscal year.

The component, using station year-end reports, will prepare an overview summary report for submission to the DDO via the Plans Staff. This report, which will contain the station reports as attachments, should review the component's overall progress against objectives, evaluating or commenting on the individual station presentations as necessary. It will be made in two

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parts. The first part reviews progress and notes shortcomings in the past year. This will replace the old annual report. The second part will present the component's plans for the coming year and recommend assignment of objectives and resources. This part will also, as in the past, include component projections against objectives for one succeeding fiscal year. This will constitute the program submission. Hence, the annual review of the past and the review and approval of future fiscal years will be accomplished at the same time.

It should be noted that as this new system is implemented, DDO approval of operational activity, which has been one of the primary purposes of the present project system, will cease to be required except under certain limited circumstances. This approval authority will rest primarily with Component Chiefs who will be required to document and maintain operational file holdings. Thus the project system as presently constituted will be abolished though there will be a responsibility at the component level for properly authorizing and documenting operational activity.

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To further assist in understanding this new system, Attachment A entitled, "Programming Process Under the Management by Objectives System" contains a detailed explanation of the program approval process and examples of dollar and manpower data to be used in DDO reviews. Attachment B describes the minimum operational file holdings required in the components after the present project system is abolished.

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Programming Process Under the
Management by Objective (MBO) System

Each year, after objectives have been formulated by the DCI, the ~~DDO~~ and the components, components will select those objectives against which they believe progress or accomplishment can be shown within the fiscal year in question.

The component will then develop a program showing the activities and resources necessary to carry out the objectives and accomplishments selected. This program will divide the total component dollar requirements into seven categories of objectives as shown below:

- A Objectives - DCI originated objectives
- B Objectives - DDO originated objectives
- C Objectives - Component originated objectives
- D Objectives - Station originated objectives
- X Objectives - Multipurpose activities
- Y Objectives - Management support
- Z Objectives - Developmental funds

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In June or July of each year the DDO will review each component program for the fiscal year to begin 12 months hence. The Component Chief and the DDO will meet and discuss the selection of objectives, the assignment of resources to objectives, and all other matters necessary to enable the DDO to reach a decision on the component program.

As a general rule, the DDO will review and pass judgment on each DCI and DDO originated objective and approve the component resource level related to each of these objectives. He will also review each component and station originated objective but will set a single resource level for all component objectives and another single level for all station objectives. Similarly, the DDO will set a single resource level for all X category objectives, a single level for all Y category objectives, and a single level for all Z category objectives. Once established, these resource levels will determine the maximum dollar authority given to the Component Chief for his operational approval. Whenever it is necessary for the component to exceed any established limitation, the Component Chief shall request the necessary change from the DDO through the Plans Staff.

There is one exception to this general rule. The amount approved in the Z category for a component may be moved to the A, B, C or D categories by direction of the Component Chief without DDO approval. Notification of any such changes must be given to the Plans Staff by memorandum.

Although the DDO and the Component Chief will review and discuss the use of staff and contract personnel through all levels of the component organization, the DDO will in most cases set the numbers of staff and contract positions on a component basis. It will be the Component Chief's responsibility to set the levels for lower levels of his organization. Staffing for field stations will continue to be subject to DDO approval, both in terms of numbers of positions and personal assignments.

During these reviews, it is expected that components will present their evaluations of previous programs and these will be matched with the independent evaluations of the Plans Staff.

Within the framework of DDO program decisions and the other rules and regulations of the Agency and the Directorate, Component Chiefs will be delegated complete authority to carry out approved programs.

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This delegated authority will permit Component Chiefs to authorize new or continuing operational activity and to reprogram resources within their component so long as DDO resource controls are not exceeded, no new objectives are pursued without DDO approval, and operations are planned and executed in accordance with regulations.

The component programs approved by the DDO for action 12 months hence will in total comprise the DDO program submitted for DCI review. After DCI approval this will become part of the Agency's annual budget request to the President.

The following January, after Presidential action, the DDO will again meet with Component Chiefs to update the original approved component programs, taking into account Presidential and Agency revisions, and other changes affecting DDO components. These reviews will result in the DDO portion of the Agency's Congressional budget request.

The following July, at the point in time when the program under consideration becomes operational, the DDO will once more review each components' program in order to make final adjustments in objectives and resource levels.

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The following January, when the program under consideration is halfway through its operational phase, the DDO and each Component Chief will review progress to date and the DDO will approve such changes as are desirable affecting the balance of the year.

The following July, when the program year in question has been completed, components will produce an Annual Report concerning the objectives, accomplishments, efforts and resources of the program. The DDO will evaluate the work of each component.

In order to support the program review system outlined above, and to provide DDO resource control and independent evaluation of components, it will be necessary to modify current Directorate reporting systems. Specific instructions will be issued on this matter.

The following charts illustrate the kinds of resource data to be used for DDO reviews.

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Position Report

Station or Subcomponent: _____ Component: _____ Fiscal Year: _____ Date: _____

	STAFF			CONTRACT			Staff and Contract Total
	Profes- sional	Clerical	Total	Profes- sional	Clerical	Total	
<u>SUBCOMPONENT CEILING</u>							
D Careerists							
M Careerists							
R Careerists							
I Careerists							
Other							
TOTAL CEILING							
<u>OTHER ELEMENTS</u>							
Communications							
Division D							
Technical Services							
ELINT							
Other (Specify)							
TOTAL OTHER							
TOTAL POSITIONS							

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Component	Station			Date		
	FY 1974 A.E.			FY 1975 A.E.		
I Functional Allocation	Staff	Con- tract	Total	Staff	Con- tract	Total
A. Operations						
1. Ongoing						
2. Developmental						
3. Total Operations						
B. Country or Activity						
Total Country or Act.						
C. General						
1. Management						
2. Administration						
3. Cover & Training						
4. Total General						
D. Total Functional Allocation						
E. Overtime						

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Component

Station

Date

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Operational Records Under MBO System

Although the project will no longer be the vehicle for obtaining DDO authorization to conduct operations and expend resources on them, all operating components of the DDO will be required to maintain certain basic documentation on their operational activity against each of their assigned objectives. These records of activities, required approvals and assets directed against each objective will systematically document minimum data needed for effective division management of field activities and to meet Agency regulations. These operational records should be updated annually at Headquarters for each station on the basis of field reporting. They will be maintained by the divisions for their own use but will be available to the DDO and/or his staffs and other Agency offices charged with audit responsibilities.

In the interest of consistency, each activity file should contain, as a minimum, the following information:

1. Purpose: Identify the objective or objectives of the station's operating directive which the activity is directed against.

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2. Description:

A. General: A brief overall description of the activity, what it consists of, and how it functions.

B. Agents and Assets: A list of assets by crypt or pseudonym with the following detail about each:

Background (needed only when a new asset is added)

- Clearances and dates thereof
- Recruitment: Date and brief description of how it came about

Current Status

- Overt position
- Operational duties
- Commo and handling arrangements
- Security assessment, including motivation, degree and nature of control, recent testing, etc.
- Salary and other financial commitments, how paid, accountings and/or receipts required, etc.
- Special commitments, if any

Termination (to be included only in cases where assets were dropped during the year)

- Date
- Terms
- Reason
- Security Considerations

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C. Technical Operations: File requirements for technical operations will be satisfied by the audio operations reporting format initiated by DDO memorandum of 20 June 1973 entitled "Audio Surveillance Operations," updated by periodic reporting.

D. Support Facilities - safehouses, vehicles, equipment

- Description
- Purpose
- Date of acquisition
- Security factors - cover, possible repercussions, etc.
- Cost during past year

E. Liaison: The description of liaison services should include the following points peculiar to liaison operations:

- The nature of the liaison understanding - the quid proquos
- The scope of current collaboration
- The nature of liaison contacts - clandestine or open
- Identities of persons involved and exposed from both sides
- Costs during the past year - funds, equipment, travel, etc.

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3. Accomplishments

Reporting on intelligence and/or covert action product, operational accomplishments, gaps and shortcomings will be derived through routine correspondence and semi-annual and annual station reports.

4. Special Arrangements

Pending any change in existing DDO regulations, the existing requirements for administrative plans, fiscal annexes, technical annexes and communications annexes will be followed.

5. Approvals

Initial approval, amendments and annual renewal authorization of operational activity will continue to be documented with the signature of the Component Chief required except for those activities requiring specific approval of the DDO.